
DEPARTMENT OF DEFENSE

**BIENNIAL FINANCIAL MANAGEMENT
IMPROVEMENT PLAN**

VOLUME I

BIENNIAL FINANCIAL MANAGEMENT IMPROVEMENT PLAN

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FOREWORD

Legislative Requirement

The National Defense Authorization Act of 1998 (the Act) directed the Department of Defense (the Department) to create a Biennial Financial Management Improvement Plan (Biennial Plan). The Act requires the Secretary of Defense to submit this strategic plan to Congress no later than September 30, of each even-numbered year.

The Biennial Plan is required to address financial management within the Department, including feeder systems not owned or controlled by the financial community that provide data to the Department's finance and accounting systems. The Act also requires the Biennial Plan to contain a concept of operations detailing how the Department intends to manage its financial operations.

Additional Reporting Requirements

Since the Biennial Plan addresses almost all aspects of the Department's financial management operations, it covers many of the financial reporting requirements specified in other regulatory legislation. The Biennial Plan is structured as a single integrated plan that incorporates these other regulatory reporting requirements. As a result, the information contained in the Biennial Plan not only satisfies the 1998 National Defense Authorization Act, but it also satisfies these additional regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
 - Remediation Plan - Federal Financial Management Improvement Act of 1996, submitted annually September 30
 - Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31
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Biennial Plan is Divided into Two Volumes

Because of the range and amount of detailed information contained in the Biennial Plan, the Biennial Plan is divided into two volumes. Volume I contains the Department's financial management Concept of Operations detailing how the Department's leadership intends to manage its financial operations in the future and outlines actions required to achieve the Concept of Operations. Volume II provides more details on many of the Department's initiatives described in the Biennial Plan.

**Volume I
Overview**

Volume I of the Biennial Plan begins with the Department's Concept of Operations (Concept). The Concept describes how the Department intends to perform financial management operations. The Department intends to use the Concept to guide the transition and evolution of its financial management policies, systems, functions, and improvement initiatives.

The Concept addresses the Department's financial management roles and responsibilities, DoD financial management requirements, policy, and oversight as well as the Department's financial operating and technical infrastructure. It focuses on efficient and effective operations and system architectures that include finance and accounting systems, program feeder systems, and technical infrastructure.

The Concept is followed by the Current Environment section. This section highlights the substantial progress the Department has made in improving its financial management operations. It also describes the Department's current financial management roles and responsibilities, as well as impediments that the Department is working to resolve.

The Transition Plan follows the Current Environment section. It identifies and documents the actions required to bridge the gap between the current financial environment and the future environment described in the Concept. The Transition Plan includes goals and strategies, corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move to the future environment.

In addition to developing a strategic plan for improving the Department's financial management operations, the Congress also directed that the Biennial Plan address specific interest items. The final section of Volume I provides the Department's response to specific questions on: finance and accounting systems; data feeder systems; problem disbursements; financial management competency; the organization and performance of the Defense Finance and Accounting Service's operating locations and centers; and the feasibility of contracting and outsourcing finance and accounting functions.

**Volume II
Overview**

Volume II contains the detailed supporting documentation on the Department's financial management improvement initiatives described in Volume I. Details on corrective actions, milestones, supporting systems architectures, benefits, and responsible organizations are described on each improvement initiative. The first section describes the initiatives improving the Department's feeder systems, the second section describes the initiatives improving the Department's accounting and finance systems, and the last section describes the initiatives improving the Department's financial management support infrastructure.

**Biennial Plan
Result**

The Biennial Plan defines the financial management environment the Department wants to attain in the future and provides a concept of operations to guide its transition. It addresses the issues the Department needs to resolve and provides a plan of action with specific improvement initiatives to accomplish the transition.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

The National Defense Authorization Act of 1998 (the Act) directed the Department of Defense (the Department) to create a Biennial Financial Management Improvement Plan (Biennial Plan). The Act requires the Secretary of Defense to submit to Congress, no later than September 30 of each even-numbered year, a biennial strategic plan for improving financial management within the Department.

A major goal of the Biennial Plan is to create a single integrated plan that incorporates existing regulatory reporting requirements. The range of information contained in the Biennial Plan satisfies the 1998 National Defense Authorization Act and the following additional regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
- Remediation Plan – Federal Financial Management Improvement Act of 1996, submitted annually September 30
- Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31

The Biennial Plan provides an overall look at the Department's future environment or Concept of Operations (Concept), describes the current operating environment, reviews recent financial management reforms, and outlines how the current financial environment will transition to the future environment. It also responds to special interest items the Act specified be addressed in the Biennial Plan.

The Biennial Plan is Divided into Two Volumes

Due to the range and amount of detailed information contained in the Biennial Plan, the Biennial Plan is divided into two volumes. Volume I contains the Department's financial concept of operations detailing how the Department's leadership intends to manage its financial operations in the future and a transition plan that outlines the improvements required. The final section provides the Department's response to specific questions on finance and accounting systems, data feeder systems, problem disbursements, financial management competency, the organization and performance of the Defense Finance and Accounting Service's operating locations and centers, and the feasibility of outsourcing finance and accounting functions.

Volume II contains the detailed supporting documentation on the Department's financial improvement initiatives described in Volume I. Details on corrective actions, milestones, resources, supporting systems architectures, benefits, and responsible organizations are described for each improvement initiative.

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| Concept of Operations (Concept) | The Concept is the conceptual framework the Department needs to establish sound financial. The framework is expressed in terms of the various interrelated functional and infrastructure aspects of accounting and finance operations. The functional section describes the processes and actions that must be performed for financial management. The infrastructure section describes the resources that support financial functions. |
| Joint Financial Management Improvement Program | The Department is responsible for complying with applicable laws enacted by the Congress and implementing the rules, regulations, and guidelines established by the Federal Government's financial leadership, collectively referred to as the "principals." The principals (i.e. the Department of Treasury, the Office of Management and Budget (OMB) and the General Accounting Office (GAO)) shape and define the requirements for financial compliance. One of the principals' key programs is the Joint Financial Management Improvement Program (JFMIP). The JFMIP documents establish operating requirements and outlines the functions and financial processes needed to execute government programs. |
| The Department's Basic Financial Requirements | <p>There are three basic financial management categories that comprise the Department's financial management operations:</p> <ul style="list-style-type: none"> • Program management requirements • core financial management requirements • financial event processing <p>The JFMIP establishes the first two elements, and the Department is responsible for the third.</p> |
| Program Management Requirements | <p>The first category, program management requirements, has five major program management functions that provide critical program data to the Department's financial management systems:</p> <ul style="list-style-type: none"> • acquisition • personnel • cost management • property management • inventory management <p>The Military Departments and the Defense Agencies perform these functions anytime they acquire, transport, manage, use, or dispose of any resources.</p> |

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| Core Financial Management Requirements | <p>The second category, core financial management requirements, has two major core financial management functions, transaction processing and accounting and reporting. The transaction processing function includes:</p> <ul style="list-style-type: none"> • receivables and collections • payables • payroll • property accounting • inventory accounting <p>These functions record the results of payments to DoD personnel, retirees and annuitants and contractors, and record and track funds received by the Department.</p> <p>The accounting and reporting function shows the financial impact of all the Department's financial events through the general ledger, funds control, cost accounting, and cash management.</p> |
| Financial Event Processing Requirement | <p>The third basic category, financial event processing, has two functions. The first function, called event translation, translates program data into required financial information. The second function, called event recognition, creates accounting transactions by capturing financial event information after it has been recognized from a program feeder system.</p> |
| Feeder Systems | <p>Approximately 80 percent of the Department's financial data is derived from program feeder systems. They are called feeder systems because they provide data to the financial systems. Program feeder systems are automated or manual systems operated by the Military Departments and the Defense Agencies. These systems contain the day-to-day operating information that needs to be translated into financial information and processed in finance and accounting systems to be useful for financial managers. The Department created financial event processing to describe how day-to-day program actions, called program events, are translated into auditable financial transactions. The data provided by program systems must be reconciled with financial information in accounting records. Therefore, an audit trail must be maintained to explain any variations and to identify the event causing the variation.</p> |
| Policy and Oversight | <p>The financial management community's senior leadership is responsible for developing financial management policy, overseeing its implementation, encouraging and monitoring compliance by those outside the financial community, and ensuring compliance by members inside the financial community. In addition, the financial management community is responsible for implementing process and system improvements and reporting on progress.</p> |

Operating and Technical Infrastructures The operating infrastructure consists of organizations, personnel, and internal control mechanisms required to manage and account for the Department's resources. Specifically, the operating infrastructure includes operating location consolidations, achievement of required competencies for financial management personnel, accurate reporting of information on financial statements, and the reliability of this information.

The technical infrastructure is an enabler that will assist the Department in achieving the desired improvements in financial management. It includes:

- system architecture, which addresses the utilization of a shared data environment through the use of a corporate database and a corporate data warehouse
- system applications, which focus on the core financial management requirements
- system interfaces, which refers to the interfaces between core systems and program feeder systems and the method used to transfer information between systems
- data in a common format includes common data structure, standard fiscal code, and standard business rules
- internal controls concerned with environment controls, risk assessment, information and communication, and monitoring

Evolving Concept The Department will update the Concept as goals are accomplished, objectives are met, and new requirements and technical solutions emerge.

Current Environment and Achievements The Department has made significant progress to date in achieving goals for consolidating finance and accounting operations, reducing the number and improving the capabilities of finance and accounting systems, reengineering business practices, strengthening internal controls, and maintaining a DoD-wide framework to provide for sound financial management.

Operational Consolidation and System Reductions The Department established the Defense Finance and Accounting Service (DFAS) in January 1991 and began consolidating the finance and accounting functions of the Army, the Navy, the Air Force, and other related organizations into this single agency. Consolidation efforts are expected to be complete by the end of FY 1998 with savings that total \$120 million annually.

Finance and accounting systems were reduced by 64 percent from FY 1991 through September 1998 with a goal of reducing the number of systems by 90 percent by FY 2003. To improve finance and accounting systems, a Year 2000 (Y2K) project was established in FY 1991 for monitoring and tracking all Y2K non-compliant financial management systems and planning for

changes. Full Y2K compliance for the Department's financial management systems is expected to be accomplished by the end of FY 1999.

Process
Reforms

The Military Departments and the Defense Agencies initiated multiple reform processes to achieve simpler, more efficient business practices that are less prone to error by reengineering business practices. The Department also acted to strengthen internal controls to enforce compliance with existing procedures at financial data processing installations and reduce the vulnerability of computer networks to intrusion. The Department instituted a framework for management oversight to ensure senior leaders are involved in all aspects of the financial improvement process.

Organization
and
Management

The organization and management of the Department's financial management operations includes the Office of the Secretary of Defense (OSD), the Under Secretary of Defense (Comptroller) (OUSD(C)), and the Military Departments and the Defense Agencies. The OUSD(C) has a direct line of authority over the DFAS but no direct line of authority over the financial management staff within the Military Departments and the Defense Agencies. Each Military Department directs and manages financial management activities consistent with policies prescribed by the OUSD(C) and the respective Military Department's implementing directives.

To ensure the Department's senior leaders are involved in the financial improvement process, a Financial Management Steering Committee and a Working Capital Funds Policy Board were formed. Their purpose is to actively engage in approving and monitoring the Department's financial management reform efforts.

Finance and
Accounting
Structure

The Department's operational structure consists of finance and accounting operations handled by the Military Departments, the Defense Agencies and the DFAS. Source level financial management data originates in the Military Departments and the Defense Agencies, with the DFAS acting as the primary financial accounting organization. Financial management data from the Military Departments and the Defense Agencies is fed to the DFAS and processed in the Department's finance and accounting systems.

The final area of the Department's finance and accounting structure is the technical support structure. The technical support structure, for required finance and accounting, is maintained at the Department's five DFAS centers where multiple systems are used to perform finance and accounting functions. The Military Departments and Defense Agencies maintain their own feeder systems or program systems to support their respective missions. These program feeder systems send financial data to the DFAS systems through electronic or manual interfacing.

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| Internal Issues | <p>The Department has achieved significant progress toward improving its financial operations. However, the Department realizes that more steps are necessary.</p> <p>Prior to January 1991, financial management within the Department was conducted independently within each Military Department and the Defense Agency. As a result, each developed its own processes and business practices tailored to its particular missions, and there was little incentive to achieve compatibility with other DoD activities. As missions became more complicated and organizations were required to interact more often, the incompatibility of systems and lack of standardization often resulted in incomplete and inaccurate financial management data. During this same time period, the Department also downsized to create a more efficient and effective force. The downsizing lead to limited investments in up-to-date systems, especially in support systems like inventory and financial systems. Although the Department made progress over the last decade, much work remains to be done to attain streamlined processes supported by efficient and flexible system architectures.</p> |
| External Issues | <p>The Department is concerned over certain external issues affecting finance and accounting and its ability to achieve auditable financial statements. The clarification of accounting standards and an agreement on the proper classification of funds will help assist the Department in its goal of attaining an unqualified audit opinion.</p> |
| Transition Plan | <p>The Transition Plan identifies and documents the improvements required to bridge the gap between the current and future environments and incorporates plans and initiatives. It includes goals and strategies, corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move the Department through the transition.</p> |
| Focus is on Feeder Systems | <p>The Department's approach for improving financial operations is to focus primarily on correcting system issues. Consolidation efforts are generally complete for finance systems and the accounting systems consolidations are well underway. The largest issues for the Department are the accuracy and completeness of data from the program feeder systems and the compliance of accounting systems.</p> <p>Infrastructure and system changes are required to improve operations and comply with current regulations. Improvements are needed because of unreliable program data from feeder systems and finance and accounting systems that do not meet regulatory requirements, and inconsistent, incomplete, or repetitive processes and systems.</p> |

**Goals,
Strategies and
Initiatives**

The Department has made significant progress to date in achieving goals for consolidating finance and accounting operations, reducing the number of finance and accounting systems and improving their capabilities, reengineering DoD business practices, strengthening internal controls, and maintaining a DoD-wide framework to provide for sound financial management. The Department updated and modified its goals and strategies to transition to the future environment. These goals have multiple supporting strategies which, when fully implemented, will transition the Department from the current environment to the future concept of operations.

Summaries of the improvement efforts for each financial function are contained in the Transition Plan. These summaries describe the function and identify the applicable strategies and initiatives for improving the function. The summaries also highlight the current status and provide illustrations of the system architecture supporting the function.

Details on corrective actions, milestones, supporting systems architectures, benefits, and responsible organizations on each improvement initiative discussed in the Transition Plan are described in Volume II of the Biennial Plan.

**Special
Interest
Items**

In addition to developing a strategic plan for improving the Department's financial management operations, the Act also directed that the Biennial Plan address specific items of interest. The final section of Volume I provides the Department's response.

**Finance and
Accounting
Systems
Consolidation**

The first two special interest items relate to the consolidation or elimination of finance and accounting systems. The number of systems is being reduced substantially to decrease cost and achieve standardization. The Department's strategy aims to eliminate unneeded systems by consolidating finance and accounting functions to a select set of migration systems. Selected migration systems may be used until transition is made from the current systems to standard, integrated systems. This process will improve both the quality and consistency of the Department's financial information. The Department intends to reduce the number of DoD finance systems from 103 in FY 1993 to nine by FY 2003; during FY 1998 there were 18 such systems. By FY 2003, the Department intends to reduce the number of accounting systems from 176 in FY 1993 to 23; during FY 1998 there were 91 accounting systems.

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| Data Accuracy and Internal Controls | <p>The next two special interest items concern the accuracy of data in finance and accounting systems and feeder systems and internal control weaknesses related to these systems. The lack of standardization of data elements is the most identifiable data problem in the Department's accounting and finance system. To help resolve this issue, a data administration program is in place and the department-wide dictionary is being populated with standard financial management data elements. Several important initiatives are under way to migrate to standard data. These include initiatives such as the Budget and Accounting Classification Code initiative that will provide an accounting classification structure with standard code; the Global Edit Tables initiative that will provide a single reference capability for accumulating and disseminating standard fiscal code and standard transaction data; and the Department's Corporate Database initiative which will be the repository for on-line transaction processing.</p> <p>Inadequate internal controls and undocumented audit trails have also contributed to unreliable financial data and exacerbated significant procedural and systemic deficiencies. To assist in correcting these deficiencies, the Working Capital Fund Policy Board was established to oversee actions and milestones for improvement of the working capital funds. In addition, the DoD Financial Management Steering Committee, with a focus on the general funds, was also established to oversee the development of functional requirements, to facilitate implementing policy recommendations, and to address financial management systems and practices.</p> |
| Problem Disbursements | <p>Disbursement problems occur when an expenditure has not been reconciled with official accounting records. Specific initiatives under way as part of the short-term strategy for eliminating problem disbursements include the Defense Cash Accountability System (DCAS) and prevalidation initiatives. The DCAS consolidates multiple systems into a single cash accountability system that will be used to report disbursements to the U.S. Treasury. The Prevalidation initiative proposes to match obligations to disbursements before payment is made.</p> |
| Feeder Systems Integration, Consolidation and Elimination | <p>The next two special interest items relate to the integration, consolidation, and elimination of feeder systems. Before the Department can produce financial statements that are auditable to the source, the Department needs to modify feeder systems to record, maintain, and manage financial related data in accordance with federal financial management requirements. Efforts to integrate feeder systems with finance and accounting systems include the publication of <u>A Guide to Federal Requirements for Financial Management Systems</u> (the Bluebook) and a DoD-wide effort initiated to identify, inventory, and annually report to the OMB the critical financial management systems. In addition, a massive systems consolidation effort is also under way along with a system architecture design so that all data is centralized in the Department's corporate database.</p> |

The Department is taking the necessary steps to eliminate unneeded data systems that provide little or no benefit to the financial management community. Through joint endeavors with the Military Departments and the Defense Agencies, feeder systems are being identified, consolidated, and phased out when possible.

Financial
Management
Competency

Another special item of interest concerns financial management competency. Financial management competency means that a qualified person by reason of education, technical competence, and experience has the core competencies to perform financial management. The Department has taken several steps to ensure competent personnel are employed in key financial management positions throughout the Military Departments and the Defense Agencies. The Financial Management Community Executive Committee was established to ensure the continued viability of civilian and military financial management careers by addressing such items as education, training and career development. The Committee created the Civilian Professional Development and Training Work Group (CPDTWG) to identify and develop generic core competencies for the Department's entire financial management work force.

Additionally, each of the Military Departments have established financial management curriculums at their higher education facilities (e.g. the Naval Post Graduate school in Monterey, CA and the Professional Comptrollers school in Montgomery, AL) train future managers and executives about financial management in the Department of Defense. The DFAS has also taken a highly pro-active role in the educational process by developing the Financial Management Career Development Plan. This plan is designed to provide a roadmap for growth and learning for financial management personnel and will help develop a highly skilled and professional financial and accounting workforce.

DFAS
Organization
and
Performance

The next two special interest items requested information about the organization and performance of the DFAS operating locations (OPLOC) and centers. The non-standard and inefficient business processes capitalized and consolidated at the centers and OPLOCs are the most significant problem. These processes were the result of the Military Departments and the Defense Agencies having developed their own independent financial systems and business practices in past years. It became apparent that business processes for the same functions varied greatly among the DFAS sites with some critical business processes often requiring large amounts of manual labor. A business process improvement study was conducted at the Norfolk OPLOC. As a result of this study, the DFAS is implementing new business processes similar to the private sector best practices and organizational changes have occurred.

The Department is continually evaluating commercial and other federal organizations' best practices with the goal of incorporating the appropriate new ideas, techniques, and processes.

Performance of the DFAS OPLOCs and centers is also of special interest. There is concern over the costs and benefits of reorganizing the OPLOCs and centers and the feasibility of carrying out such a reorganization. The DFAS has already completed a great deal of functional alignment, especially in the finance functional areas and achieved great success in reducing costs and improving service. Some functional alignment also took place in the accounting area through Security Assistance accounting. The most problematic function remaining is the installation and base-level vendor pay function. The electronic document management technology that supports and speeds the vendor pay processing is being installed at a number of sites. If this technology proves effective, the DFAS may realign this function to fewer sites. The DFAS's experience shows that although functional alignment of workload makes good sense in some areas, the DFAS cannot assume it is the best way to do business for every functional area.

Contracting
and
Outsourcing

Finally, the last special item of interest relates to contracting and outsourcing. The costs and benefits of contracting for private sector performance of specific functions and the feasibility of contracting for such performance are concerns. A goal of the Department is to reduce operating costs and reallocate resources to modernize and enhance readiness. One tool to achieve this end is the use of the private sector to enhance operational efficiencies and reduce costs. The DFAS has entered into a partnership with the private sector to enhance efficiencies in finance and accounting as well as support functions. This partnership has helped to reduce full time equivalents and costs and encourages the Department to apply new technologies to improve efficiencies without eliminating the government's capability to perform its financial functions without establishing an untenable reliance on private sector vendors. The DFAS is also working closely with private-sector vendors, who provide leading-edge technology and business practices, to reengineer selected functions that will enhance efficiencies and reduce costs.

The Initiatives

Volume II contains the supporting details on over 150 initiatives that support the goals and strategies discussed in the Transition Plan. The volume is divided into three sections. The first section describes the initiatives the Department is taking to improve the Military Departments and the Defense Agencies' feeder systems that provide the majority of the data required for auditable financial statements. The second section describes the initiatives improving the Department's accounting and finance systems. The last section

of Volume II describes the initiatives the Department is taking to improve the Department's overall financial management support infrastructure. Each initiative begins with a description of the initiative and the area or areas of nonconformance the initiative is correcting or improving. The description is then followed by detailed information about the initiative. Details include objectives, benefits, impact on current operations, responsible organization and program manager, related functions, supporting system architecture, and milestones.

Conclusion

With the Biennial Plan, the Department identifies for the first time the breadth and scope of the financial improvement initiatives the Department is taking to achieve legislative financial compliance, not only by the finance and accounting organization, but also by the Military Departments and other Defense Agencies. With this plan, the Department established its baseline on how it wants to manage its future financial management operations, where it is now, and what actions it needs to take achieve it.

SECTION I

INTRODUCTION

INTRODUCTION

Document Scope and Objective

The Department of Defense (the Department) developed the Biennial Financial Management Improvement Plan (Biennial Plan) to fulfill the requirements identified in the National Defense Authorization Act of 1998 (the Act). This legislation directed the Department to submit to Congress, by September 30 of each even numbered year, a strategic plan for financial management improvement. The legislation further directed the Department to respond to specific questions on financial management. This document also addresses additional regulatory requirements mandating the improvement of accounting and finance systems and processes and directing systemic reviews of specific issues.

The Biennial Plan includes input from and coordination with the following communities within the Department:

- Office of the Under Secretary of Defense (Comptroller) (OUSD(C))
- Military Departments (the Army, the Air Force, the Navy, and the Marine Corps)
- Defense Finance and Accounting Service (DFAS)
- Defense Agencies (i.e., Defense Logistics Agency (DLA) and the Defense Information System Agency (DISA))
- Office of the Under Secretary of Defense (Acquisition and Technology) (OUSD(A&T)) and Under Secretary of Defense (Personnel & Readiness) (OUSD(P&R))

A major objective of the Department and this document is to use the Biennial Plan to create a single integrated plan that not only satisfies the Act's requirements, but also these existing formal regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
- Remediation Plan - Federal Financial Management Improvement Act of 1996, submitted annually September 30 and
- Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31

The Department previously developed separate plans to satisfy each of these regulatory requirements. These plans, however, contained overlapping information and were a duplication of effort. The Biennial Plan provides the necessary range and levels of information needed to satisfy all these plans.

**Biennial Plan
Organization**

The Biennial Plan is divided into two volumes. Volume I includes high-level information about the Department's financial operations. This volume provides the overall picture of where the Department is currently in its financial operations, where it would like to be, and a broad plan on how the Department intends to achieve it.

Volume II provides the detailed information, such as corrective actions and milestones, about the Department's financial initiatives discussed throughout the Biennial Plan.

**Volume I
Organization and
Content**

The information in Volume I is presented in five sections with four appendices:

- Section I - Introduction
- Section II - Concept of Operations
- Section III - Current Environment
- Section IV - Transition Plan
- Section V - Special Interest Items
- Appendix A - Regulatory Requirements Matrices
- Appendix B - Report on Accounting System Conformance
- Appendix C - Functions and Initiatives Quick Reference List
- Appendix D - Acronyms

**Section I
Introduction**

The Introduction explains the Biennial Plan's scope and objective, how the Biennial Plan is organized, and describes Volume I content and organization.

**Section II
Concept of
Operations**

The Concept of Operations (the Concept) identifies the end state after implementation of this plan. The concepts for the future environment are generally high level and will generally remain constant in out years, unless groundbreaking technology significantly changes the computer industry.

The purpose of this Concept is to describe the Department's target accounting and finance environment requirements, functions, roles and responsibilities, and infrastructure. The Department developed this Concept to provide an understanding of how it will structure financial operations in the future after current issues are resolved. The Department intends to use the Concept to guide the evolution of its accounting and finance policies, functions, systems, and operational procedures.

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| Section III Current Environment | To move forward and make improvements, the Department must have a clear understanding of its current strengths, weaknesses, and areas for improvement. Section III, the Current Environment, reports on the progress to date in meeting the Department's Chief Finance Officer's (CFO) finance and accounting goals, notes the present status, and identifies areas that require improvement. The Department's current roles and responsibilities and structure regarding financial and accounting are outlined to provide a better understanding of the key organizations and processes that currently exist. Section III ends with an assessment of the Department's current financial environment and identifies how the Department intends to move to the future environment described in the Concept. |
| Section IV Transition Plan | The Department has made significant improvements toward creating an effective financial management environment, as highlighted in Section III, the Current Environment, but it must complete many additional steps to transition to the future environment delineated in the Concept. Section IV, Transition Plan, bridges the gap between the current and future environments and includes goals and strategies that will lead the Department through the necessary changes. |
| Section V Special Interest Items | The Congress asked the Department to respond to several items of interest regarding its financial management. Section V, Special Interest Items, addresses these items. |
| Appendix A | The matrices in Appendix A map previous plans and current regulatory reporting requirements incorporated in the Biennial Plan. |
| Appendix B | Appendix B provides the Department's overall evaluation of its financial management systems required by Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. |
| Appendix C | Appendix C is a quick reference lists that list each financial management function and identifies the initiatives the Department is taking to correct deficiencies and/or improve the function. |
| Appendix D | Appendix D defines the acronyms used in the Biennial Plan. |
